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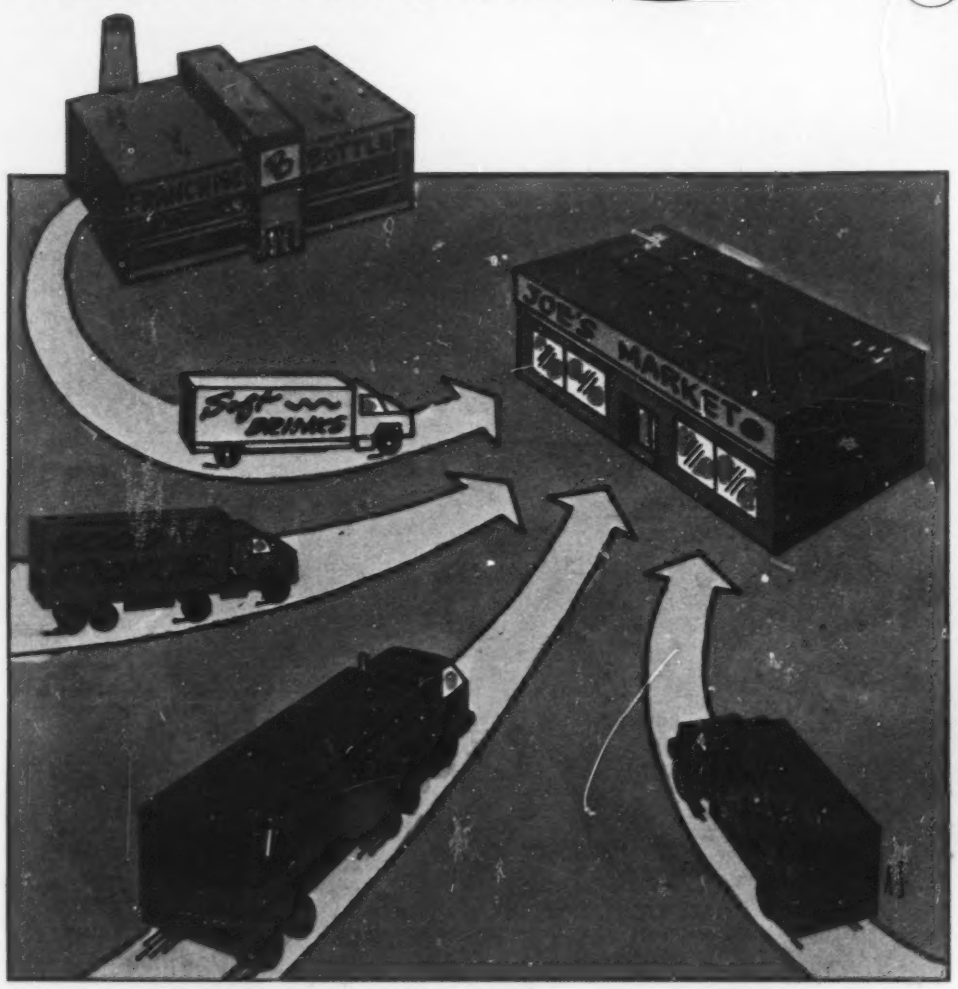
SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

JULY 8, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION



National forced deposit law in spotlight again

By Patricia Raber

WASHINGTON, DC — For the fourth time in the last decade, a bill espousing a national deposit law for beer and soft drink containers has been placed in the hopper by its tenacious proponents Sen. Mark Hatfield (R-OR) and Rep. James Jeffords (D-VT).

Like its predecessors, the Beverage Container Reuse and Recycling Act, (S. 1247 and H.R. 2960) would require that consumers place a 5-cent deposit on beverage containers bought at retail to reduce litter and government costs as well as promote recycling and energy conservation.

Even with this go-round, the same arguments for and against a national law are being resurrected and reiterated. A General Accounting Office report in 1980, and others conducted in New York and Michigan, contend

(Continued on page 20)

Heaviest portion of new 7UP campaign concludes

NEW YORK — By now 96% of all American consumers have heard the Seven-Up Co.'s "no artificial flavor or color" message 21 times, the company estimates.

That's the result of what Seven-Up calls "the most massive multi-media program in the company's history." The campaign, which has angered competitors, wound down July 4 and is now on a normal Seven-Up advertising pattern.

The campaign was kicked off May 24 at a press conference that was beamed by satellite to six other cities from a hotel here.

It instantly spawned outcries from Seven-Up's major competitors who have been

(Continued on page 16)

SD manufacturers find numerous ways to get new products on retail shelves

By Gary A. Hemphill

SPECIAL REPORT—While there can be no arguing the effectiveness of the bottler/franchise system used by most of the soft drink industry today, it's not practical for everybody.

Initial costs are high and it's not always the most feasible way to market new products, particularly those of smaller companies.

Contract packers, food brokers, and multiple beverage distributors are sometimes alternatives.

Shasta, for instance, is one of the larger "small" companies that has been enormously successful using contract packers. Last year, the company posted an 18.3% increase in sales.

MBC Beverages of New York, which just last year began manufacturing the

(Continued on page 26)

FTC's recision of Gallo order angers competition

WASHINGTON, DC—The Federal Trade Commission has vacated a 1976 consent order with E & J Gallo Winery limiting the company's relationship with its distributors. The broad scope of the order unnecessarily hindered Gallo's "ability to utilize many of the marketing devices that are freely employed by its competitors," according to the FTC.

The original consent order stemmed from a complaint alleging that Gallo, the market leader, made it difficult for competitors to gain access to effective distribution

(Continued on page 5)

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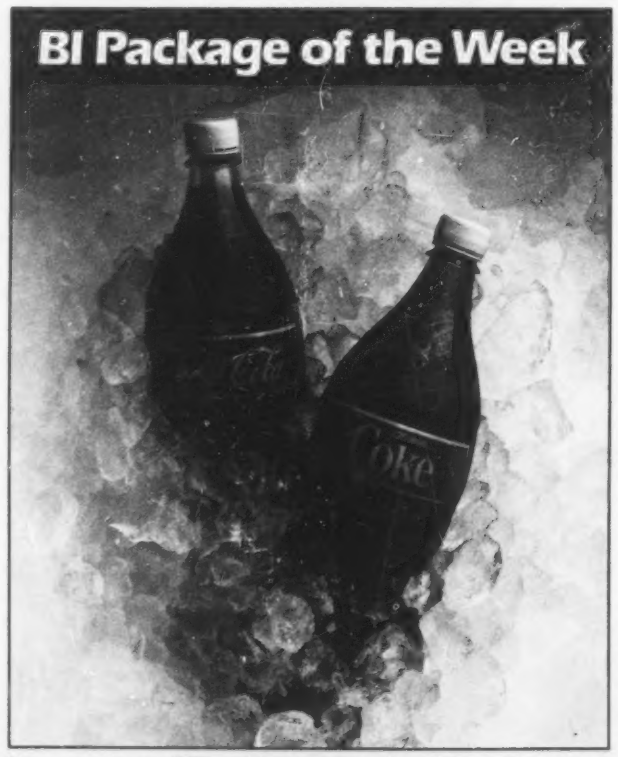
BI Package of the Week



New contour PET with heat-transfer label (Therimage) makes debut in Sydney, Australia. For details, see page 20.

BI Week

• Pepsi scores major coup with signing of Burger King fountain agreement. Firm picks up some 7 million additional gallons of sales—approximately $28 million, also significant presence in nation's number two fast food operation. Although Pepsi's syrup price was "slightly less" than Coke's, Burger

(Continued on page 35)

Contents

Options numerous to get SDs on shelf

There are more ways to get a new soft drink on the retail shelf than any other food product.

While the bottler/franchise system is certainly the most popular, it's by no means the only way. Contract packers, food brokers and multiple beverage distributors have played important roles in getting new brands in stores and will continue to do so. Read what industry leaders have to say about alternate distribution systems. See **page 1.**

Forced deposit law resurfaces

Once again a national forced deposit law has been introduced in Congress and just like in the past the same arguments for and against such a law have been resurrected. The only thing that proponents and opponents seem to agree on is that this is one issue that won't disappear. Sponsors of the bill are Sen. Mark Hatfield (R-OR) and Rep. James Jeffords (D-VT).

"This is truly an uphill battle, but mandatory deposits are the wave of the future," said a staffer from Jeffords office. See **page 1.**

Contour-shaped PET a success

The Coca-Cola Bottling Co. in Sydney, Australia, has become the first to market a contour-shaped 1.25-L PET bottle as well as the first to offer a heat-transfer labeled soft drink container.

The bottler has reportedly increased sales with the new package and achieved better than expected results. See **page 1.**

Report says cans most profitable

A study commissioned by the Can Manufacturers Institute reveals that cans are the retailer's most profitable soft drink package in a non-deposit market, and the profit margin even increases in a deposit market while it declines for all other packages.

McKinsey & Co., which did the study, came to its conclusions based on the "direct product cost/profit" approach. Learn what suggestions McKinsey & Co. has for retailers and packers to increase their overall profitability of soft drinks. See **page 4.**

England's Brewex gets big turnout

More than 14,500 attended the Brewex beverage exposition held in Birmingham, England. An additional 17,740 attended the Pakex exposition held in an adjoining hall.

Editor Paul Mullins offers an in depth report and gives a booth by booth account of what the exhibitors had on display. See **page 4.**

Import beer sales outpace U.S. market

Although the import beer segment makes up only a small portion of the entire beer industry, it's one of the few growth areas.

According to a Beverage Marketing Corp. report, imports grew at a 9.6% clip while the overall industry was stagnant with a .4% growth in 1982.

Increased on premise consumption of the imports is what has led the small growth that industry has shown over the last five years. See **page 4.**

Japan SD industry down 2% in '82

For the fourth consecutive year, the industry has declined in Japan. Production of carbonated soft drinks in Japan showed a 2% decrease in 1982 over '81.

There were some isolated success stories. For the full report, see **page 14.**

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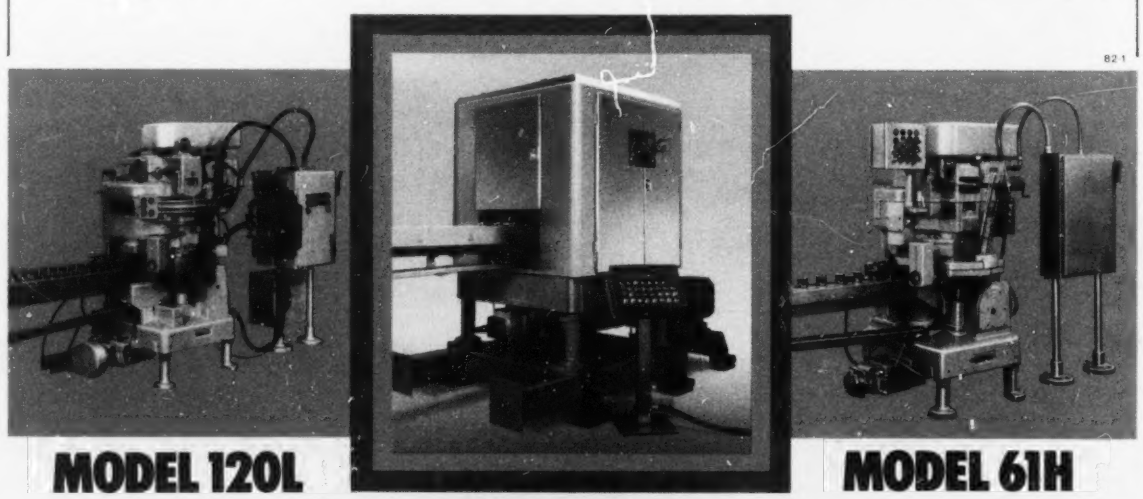

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SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

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MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

On-premise consumption boosts import beer sales 9.6% in '82

By Holly Klokis

NEW YORK—Thanks to high on-premise consumption, imported beer market growth continues to outpace that of the U.S. beer market as it has done for the past five years. Although it only constitutes 3.1% of the total industry, imported beers grew by 9.6%, 1981-'82, versus total industry growth of .4%.

The "1983 U.S. Imported Beer Market," a report recently released by Beverage Marketing Corp. here, tracks these and other statistics on the imported beer market from 1976, including detailed regional information by brand for 1980 and '81.

Michael Bellas, president of BMC, attributes imports' success to a baby boom whose consumption patterns are evolving and maturing. Not only do these people prefer a stronger, more full-bodied beer, they're willing to pay more for it, says Bellas. The trend towards higher education has also bred a more discerning attitude, image consciousness and a desire for status, that, Bellas says, is exercised when it comes to alcoholic beverage choices.

Yet, while the import beer

(Continued on page 22)

Regional import beer sales

Region	1980 Barrelage (000)	1980 Share	1981 Barrelage (000)	1981 Share	Percent change
Northeast	2,222.3	48.4%	2,468.0	47.3%	11.1%
South	574.5	12.5	688.8	13.2	19.9
East Central	696.1	15.1	798.9	15.3	14.8
West Central	98.2	2.1	111.4	2.1	13.4
West	73.5	1.6	85.8	1.6	16.7
Southwest	195.4	4.3	210.0	4.0	7.5
Pacific	737.4	16.0	858.0	16.4	16.4
Total Imports	4,597.4	100.0%	5,220.9	100.0%	13.6%

Source: Beverage Marketing Corp.
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry
July 8, 1983

CMI study calls cans most profitable package in forced deposit markets

NORMAL DSD HANDLING COSTS

DSD Package	Cents Per Fl. Oz.	Cents Per Container	Dollars Per Case	Cost as % of $ Sales
12 oz. can	.12¢	1.4¢	$ .34	3.7%
10 oz. NR glass	.33	3.3	.79	8.8
16 oz. NR glass	.30	4.8	1.15	10.6
28 oz. NR glass	.22	6.1	.73	8.8
32 oz. NR glass	.19	6.1	.73	6.6
1-liter plastic	.17	5.7	.34	6.6
2-liter plastic	.14	9.5	.57	6.1

Source: McKinsey & Company

Copyright: Beverage Industry
July 8, 1983

By Holly Klokis

WASHINGTON, DC — When the New York State bottle bill goes into effect, retailers will be expected to raise the price of soft drinks to cover the cost of additional handling. The actual cost of handling varies with each package—contingent on such things as package size and weight—but an across-the-board increase of $1 per case is generally expected.

However, based on the findings of a study recently concluded by McKinsey & Co. for the Can Manufacturers Institute, retailers could maintain the current price for cans and increase their profit margins once mandatory deposit goes into effect.

The report is based on data collected from a major grocery retailer operating stores in New Jersey, New York and Connecticut. The study examines retail handling costs by soft drink package and size for both direct store delivered (DSD) and warehouse brands.

Among the findings revealed in the study was that whether DSD or delivered through the warehouse, cans are the retailer's most profitable soft drink package in a non-deposit market, and even increase in profitability in a deposit market while all other packages decline.

McKinsey came to its conclusions using the "direct product cost/profit" approach rather than the gross margin technique. McKin-

(Continued on page 23)

Coors' TV network in third year of operation

Members of the Coors' video network team include Ron Parker (left), manager of corporate television, and Glen Plumleigh, producer.

By Soni Bayles

GOLDEN, CO—The video revolution has invaded corporate board rooms and training programs, which are quickly recognizing the inherent benefits of this new source of communication.

Among the most prolific users of the medium is the Adolph Coors Co., whose distributors' video network and its primary program, Second Century, go into their third year this summer. Established in 1980, shortly after Coors' centennial celebration, the program was named to commemorate the brewery's entry into its "second century" in business.

Peter Coors, president of Adolph Coors Co. Sales and Marketing Division, describes Second Century as "an opportunity for brewery people to go 'face to face' with

(Continued on page 15)

Over 14,500 attend Brewex exposition

BIRMINGHAM, GREAT BRITAIN—Over 14,500 people visited Brewex, the biannual beverage exposition held here recently in the National Exposition Center. The number was not a record, but an additional 17,740 attended the Pakex show held in the adjoining halls.

Exposition planners estimate that there were approximately 2500 visitors at the combined shows from overseas.

A record 316 companies—included 118 from 18 overseas countries, including the U.S.—had exhibits. There were 238 exhibitors—97 from outside Great Britain—at Pakex.

Winner of the bottled lager contest was British brewer Matthew Brown, followed by Mauritius Breweries and Banks of Barbados. Entries were received from most parts of the world including Australia, Bulgaria, Canada, West Germany, India and Nigeria.

On the exhibit floor, there were a number of significant equipment and packaging advances. The booth-by-booth review which follows provides details:

(Continued on page 6)

Food & Dairy Expo boasts record exhibits

ROCKVILLE, MD—Food & Dairy Expo '83, to be held Oct. 22-26, at McCormick Place, Chicago, may be the largest in its 64 year history, according to Keith Stolldorf, director of exhibits and membership for Dairy and Food Industries Supply Association.

He reports 308 companies have reserved 209,670 sq. ft. of exhibit space thus far with 24 company requests for almost 7,000 sq. ft. pending.

Beer

(Continued from page 4)
category is growing, it is only minimally at the expense of the other beer segments. Bellas notes that some superpremium, as well as some premium, beer drinkers have switched to imports, but for the most part, they are few in number. The majority of the category is made up of people who tend towards more expensive alcoholic drinks or wine, but will drink imported beer in a bar or restaurant. In fact, the fastest growing beverage in restaurants today is imported beer.

Supporting this observation is data collected by BMC in the report concerning imported beer sales in Standard Metropolitan Statistical Areas (SMSA). Most imported beer is drunk in metropolitan areas where there is a proliferation of bars and restaurants having imports available for on-premise consumption. In fact, those regions of the country having the greater number of SMSAs have the highest imported beer consumption, regardless of overall population. "There is no direct relationship between population and consumption," stresses Janet Fanshawe, vice president-marketing of BMC. The keys to consumption are the demographics of a market.

The Northeast, the site of 11 SMSAs, leads the nation in consumption of imports with a 47.3% share in '81. This region also includes the two leading SMSA imported beer markets nationally, New York and Boston, which together account for 22.6% of the nation's import consumption.

The Pacific region has the nation's second highest consumption, 16.4%, and is comprised of six SMSAs, including Los Angeles, the nation's third leading import consumer.

Chicago and Detroit, ranked 4th and 6th, respectively, for the nation's import consumption, are the only two SMSAs located in the East Central region, which accounts for 15.3% of the nation's import consumption. Those two cities alone consume over half of that region's imports.

The South, although the second highest populated region in the country (next to the Northeast), ranks 4th in regional consumption with 13.2%. Over one-quarter of this region's imports are consumed in Miami and Tampa/St. Pete, the nation's 8th and 10th leading SMSA imported beer markets.

The Southwest accounts for 4% of the nation's import consumption, with Dallas/Ft. Worth and Houston consuming almost half of that.

Minneapolis/St. Paul is the only SMSA found in the West Central region which consumes 2.1% of the country's imports. Nearly one-quarter of this region's imports are consumed in Minneapolis/St. Paul, ranked 25th nationally.

The Western region, accounting for 1.6% of national import consumption, claims Denver/Boulder as its only SMSA, which consumes 38% of this region's imports.

Regions by order of population are as follows: Northeast, South, East Central, Pacific, Southwest, West Central and West.

Although import beer sales gains are outpacing all other categories except light, Fanshawe expects the growth to slow to 7.5% by 1986, and then to 6% between 1986-'90.

Fanshawe attributes the slowdown in overall sales to a variety of factors: "There will be a drop in the heavy beer drinking 18-34 year olds. As they mature, as will their palates, and make higher incomes, they will shift to premiums, superpremiums and imported beers, wines and even spirits.

The current trend away from alcoholic beverages will continue, Fanshawe predicts, as awareness of alcohol abuse increases and as more emphasis is put on the dangers of drunk driving.

The BMC report also contains figures on advertising expenditures by brand for the 18 leading import brands. Heineken ranks first, spending over one-third of the total ad expenditures made for imported beer. Molson comes

Estimated leading imported beer brands—barrelage, market share

Rank		1980 Barrelage*	1980 Share	1981 Barrelage*	1981 Share	Percent change
1	Heineken	1,680.6	36.6%	1,970.0	37.7%	17.2%
2	Molson	839.8	18.3	1,031.6	19.8	22.8
3	Beck's	212.3	4.6	308.0	5.9	45.1
4	Labatt	222.6	4.8	290.3	5.6	30.4
5	Dos Equis	246.6	5.4	252.2	4.8	2.3
6	Moosehead	180.6	3.9	239.0	4.6	32.3
7	Guinness Harp	96.8	2.1	100.5	1.9	3.8
8	St. Pauli Girl	77.4	1.7	96.8	1.8	25.1
9	Tecate	72.4	1.6	76.9	1.5	6.2
10	Fosters	61.6	1.3	64.8	1.2	5.2
11	Grolsch	51.6	1.1	58.1	1.1	12.6
12	Carling O'Keefe	48.5	1.6	55.6	1.1	14.6
13	Old Vienna	46.7	1.0	53.0	1.0	13.5
14	Kronenbourg	22.6	0.6	42.0	0.8	85.8
15	Kirin	32.6	0.7	40.2	0.8	23.3
16	San Miguel	25.2	0.5	35.5	0.7	40.8
17	Carta Blanca	32.0	0.7	32.5	0.6	1.5
18	Tsing Tao	14.9	0.3	24.5	0.5	64.4
	Subtotal	3,964.8	86.2	4,771.5	91.4	20.3
	Others	632.6	13.8	449.4	8.6	(28.9)
	Grand Total	4,597.4	100.0%	5,220.9	100.0%	13.6%

*Barrelage in thousands

Source: Beverage Marketing Corp
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

Beer imports by country

Rank	Country	1980 Gallons (millions)	1980 Share	1981 Gallons (millions)	1981 Share	1982 Gallons (millions)	1982 Share
1	Netherlands	55.5	39.2%	65.2	40.3%	72.2	40.5%
2	Canada	47.5	33.5	51.9	32.1	55.1	30.9
3	West Germany	14.8	10.4	18.2	11.2	23.5	13.2
4	Mexico	10.2	7.2	10.9	6.7	10.4	5.8
5	United Kingdom	3.1	2.2	3.3	2.0	3.5	2.0
6	Ireland	2.0	1.4	2.2	1.4	2.5	1.4
7	Australia	2.0	1.4	1.9	1.2	2.1	1.2
8	Japan	1.2	0.8	1.6	1.0	1.8	1.0
9	France	1.0	0.3	1.6	0.7	1.7	0.9
10	Philippines	0.7	0.5	1.2	0.7	1.1	0.6
11	China	0.4	0.3	0.8	0.5	0.9	0.5
12	Denmark	0.8	0.6	0.6	0.4	0.7	0.4
13	Norway	0.5	0.4	0.5	0.3	0.5	0.3
	Subtotal	139.7	98.7	159.9	98.8	176.0	98.6
	All Others	1.9	1.3	1.9	1.2	2.4	1.4
	Grand Total	141.6	100.0%	161.8	100.0%	178.4	100.0%

Source: Beverage Marketing Corp.
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

Regional U.S. beer markets—barrelage, share

Region	1980 Barrelage	1980 Share	1981 Barrelage	1981 Share	1982 (E) Barrelage	1982 (E) Share
Northeast	42,238,000	23.7%	42,344,426	23.2%	42,708,725	23.3%
South	33,302,000	18.7	34,372,831	18.9	34,883,784	19.1
East Central	36,986,000	20.8	37,135,283	20.3	37,078,670	20.2
West Central	13,545,000	7.6	13,676,399	7.5	13,467,230	7.4
West	6,308,000	3.6	6,668,551	3.7	6,950,694	3.8
Southwest	19,501,000	11.0	21,272,274	11.7	21,690,336	11.8
Pacific	25,995,000	14.6	26,818,387	14.7	26,396,326	14.4
Total	177,875,000	100.0%	182,288,151	100.0%	183,175,765	100.0%

Source: Beverage Marketing Corp.;
State Regulatory Agencies

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

Beer imports, all countries

	Gallons (millions)	Barrels (millions)	Percent change
1982	178.4	5.7	10.3%
1981	161.8	5.2	14.3
1980	141.6	4.6	2.8
1979	137.7	4.4	28.2
1978	107.3	3.5	36.0
1977	78.9	2.5	6.7
1976	73.9	2.4	42.0
1975	52.0	1.7	21.1
1974	42.9	1.4	22.3
1973	35.1	1.1	17.8
1972	28.9	0.9	1.0

Source: Beverage Marketing Corp.
Bureau of the Census

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U.S. Beer market categories by market share and % change

	1980	1981		1982	
Beer Category	Market Share	Market Share	% Change	Market Share	% Change
Premium	49.6%	49.4%	2.0%	46.6%	−(5.3)%
Popular	25.6	23.8	−(5.0)	23.8	0.7
Light	13.0	14.7	15.1	17.1	17.2
Super Premium	6.0	6.1	4.7	6.1	0.0
Malt	3.2	3.2	5.4	3.3	3.4
Imports	2.6	2.8	13.0	3.1	9.6
Total	100.0%	100.0%	2.5%	100.0%	0.4%

Source: Beverage Marketing Corp.
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

in at number two with 15.8%, followed by Beck's with 8.5%.

best selling

In addition to being the three top spenders, these are also the three best selling brews. Any corrolation between sales and advertising expenditures ends here. For example, Kronenbourg, which ranks 14th in barrelage sales, is the seventh leading advertiser. Fanshawe attributes the discrepancy to an unsettled market. "Many brands are still emerging," she notes. "Below the top sellers, it's still shaking out."

It is those emerging brands that are also causing a shift in the European vs. non-European beers imported into this country. In 1976, non-European beers held a 36.8% share of the market; today, that's up to 40%. The big gainers here, says Fanshawe, are beers from Canada, Mexico and the Far East. According to BMC statistics, Canada's Molson and Labatt are the second and fourth leading imports, respectively. Mexico is the fourth leading exporter of beer to the U.S., relying heavily on Dos Equis, Tecate and Carta Blanca, the fifth, ninth and 17th leading imports, respectively.

In addition to these statistics, the BMC study also tracks import per capita consumption, sales by state, region and brand, as well as basic demographic information.

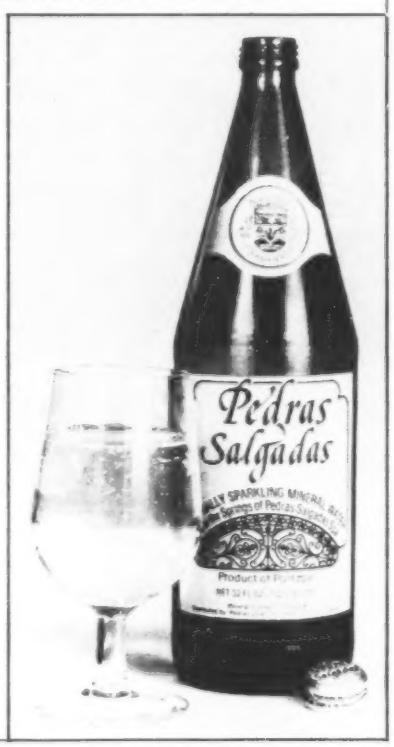
The "1983 U.S. Imported Beer Market" study sells for $425. For more information, contact Janet Fanshawe, Beverage Marketing Corp., 866 Second Ave., New York, NY 10017; 212/688-7640.

Regional Breakdown

Northeast: Connecticut, Delaware, Washington, DC, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.
South: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia.
East Central: Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia and Wisconsin.
West Central: Iowa, Kansas, Minnesota, Nebraska, North Dakota, South Dakota and Missouri.
Southwest: Arizona, New Mexico, Oklahoma and Texas.
West: Colorado, Idaho, Montana, Nevada, Utah and Wyoming.
Pacific: Alaska, California, Hawaii, Oregon and Washington.

Portuguese carbonated mineral water available now in U.S.

NEW CANAAN, CT—Pedras Salgadas, a naturally carbonated mineral water from Portugal, is being marketed in the United States by Pedras USA Inc., New York. Marketing efforts are underway in New York City, Connecticut and Long Island. Florida is targeted for market entry sometime in 1983 and California in 1984. It is sold in 32 oz. bottles, packed 12 to a case and 8 oz. bottles, packed 24 to a case. It's available in supermarkets, specialty and gourmet food shops, restaurants and food departments of major retail stores.



A&W awards announced

NEW YORK—Brainerd Wadena Beverage Co., Brainerd, MN, won for the second year in a row the Allen & Wright Award for the highest combined A&W and Sugar Free A&W per capita development in the nation from A&W Beverages Inc.

Awards also were given to two Texas bottlers, Beaumont Coca-Cola and Uvalde Coca-Cola, for highest national per capita increase per territory population of over 500,000 and under 500,000 respectively.

National A&W achievement awards for Sugar Free A&W per capita development and growth were presented to Pepsi-Cola Oshkosh, and to Pepsi General Bottlers of Kenosha and Racine, WI, respectively.

Regional achievement awards went to: Soo Bottling Co., Sault Ste. Marie, MI; Coca-Cola Bottling Mideast Inc., Lexington, KY; Coca-Cola Bottling Co., Annapolis, MD; Western Wyoming Beverages Inc., Rock Springs, WY; Dr Pepper Bottling Co., Houston; Admiral Beverage Corp., Idaho Falls & Pocatello, ID; Inland Coca-Cola Co., Boise, ID; Pepsi-Cola Bottling Co., Corbin, KY; Dr Pepper Bottling Co., Bryan, TX; Charles A. Bernick Inc., St. Cloud, MN; and Coca-Cola Bottling Co., Great Falls, MN.

American wine expo scheduled

DALLAS, TX — The American Wine Exposition, the first major event to showcase the U.S. wine industry, will be held here Feb. 3-5, 1984.

The exposition will offer an opportunity for wineries to present their products to retailers, restauranteurs, distributors and wine and food media.

It will also provide an extensive educational program with workshops, lectures and panels conducted by leaders and experts in the industry.

Inquiries may be sent to Becky Murphy, Turtle Creek Village, Suite 618, Dallas, TX 75219.

CMI *(Continued from page 4)*

sey's approach goes beyond subtracting the cost of goods sold from the sale price to reveal gross margin. It then factors in payment discounts and merchandising allowances to determine store margin, and then subtracts direct product costs—warehouse costs, transportation costs, store costs and headquarters (inventory) costs—to derive direct product profit.

In a non-deposit market, where product is DSD, cans were found to be the most profitable largely as a result of low store handling costs and high profit yields per sq. ft. of shelf space.

After store costs are subtracted from a retailer's 20% profit margin, that margin is reduced to 16.3% for cans if the store is stocking. If the vendor is stocking, the profit margin is somewhat higher, at 18.7%. Second in profitability is 2-L PET with a 13.9% profit margin if store stocked, 16.8% if vendor stocked; 1-L PET delivers 13.4% store stocked, 16.5% vendor stocked; 32 oz. NR glass has a 13.4% profit margin when store stocked, 16.3%, vendor stocked; 28 oz. NR glass has profit margins

(Continued on page 24)

HOW DIRECT PRODUCT PROFIT IS CALCULATED

Sales
- Cost of goods sold

= Gross Margin

Allowances
+ Payment discount merchandising allowances

= Store Margin

Direct Product Costs
- Warehouse costs
  - labor
  - space

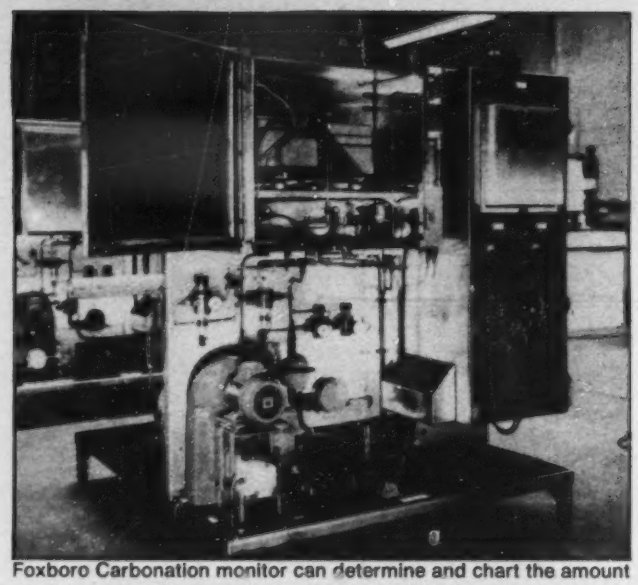
Transportation costs

- Store costs
  - stocking/checkout labor
  - occupancy

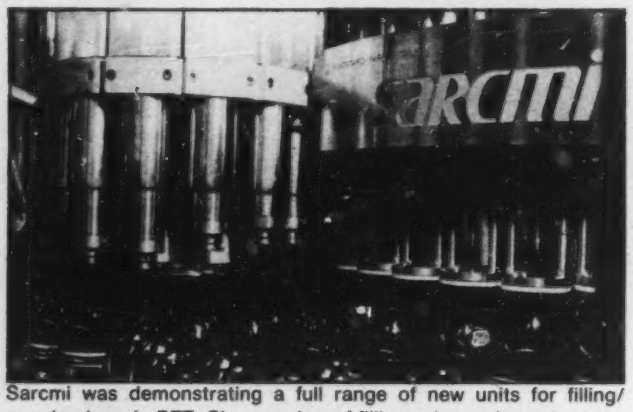
- Headquarters costs
  - inventory

Equals

Direct Product Profit



Foxboro Carbonation monitor can determine and chart the amount of carbon dioxide dissolved in liquids. Unit is designed for use in breweries and soft drink plants. It was shown in the Erben booth at the recently concluded Brewex.



Sarcmi was demonstrating a full range of new units for filling/capping beer in PET. Closeup view of filling valve and capping sections of one of the units is shown.

cartons flat and then tacks them down by heating, then cooling the surface of the gable. Other features of the new system are a new CIP capability, reduced energy consumption and lower noise levels. Speed: 140 imperial pints per minute. **Cherry-Burrell** also demonstrated its Unitherm 21 aseptic processing plant which is designed for UHT conversions. Another new product from this company was two versions of the Sentinel filling valves which feature double seat designs with a leak chamber vented to the atmosphere. Both may be rotally CIP cleaned with the Sentinel I utilizing an external CIP source to clean between the seats while the Sentinel II uses an internal system. The Sentinel II features independent lifting of the top and bottom seats for individual cleaning of each.

Circle no. 156 on service card

After a two-year research project **Schweppes** and **BXL** plastics have developed a new stretch-blow PVC bottle which the company will use to reintroduce its Kia-Ora line of concentrated juice flavors in the U.K. The new bottle is clearer than extrusion blown PVC, has improved impact resistance and is 20% lighter.

Circle no. 157 on service card

Auto Flush Systems, Ltd., a Canadian-based firm, exhibited its new softer version of super seals. The material used to construct these seals is about 15% softer than that used in the firm's original seals. FDA approved, the new seals can also withstand temperatures of up to 200°F with no loss of physical characteristics and can be hot sanitized without damage.

Circle no. 158 on service card

Two new labelling machines and two versions of filling/closing machines were demonstrated in the **Pirzer** booth. The Alfina labeler was described as a combination of a cheap and uncomplicated straight-through unit with the proved labelling technique of a rotary unit. Machine has a synchronously regulated bottle conveyor timed to the machine's speed (100 bpm capability). The 800 bpm Alpha can label body and neck, neck-around, back, champagne-type labelling and foiling. A date can be placed on front or back labels by use of a perforating device or color printing. The Bavaria-Nova "L" is a three-channel filling system with two-phase filling valves with long filling tubes. This means separated guiding of filling product, counter pressure gas and return air, which makes it ideal for beverages with CO_2 such as beer, lemonades, wines and champagnes. The Model: "N" is a one chamber unit with short air tube filling valves. It is designed for filling lemonades and carbonated soft drinks.

Circle no. 159 on service card

The new Meyer TriStar Bottle Filler was shown for the first time. Stainless steel unit is available with 52-, 65-, and 78-valves. Also exhibited by **Geo. J. Meyer** was a new uncaser called the Flight. It operates similar to the Hawk casing unit by a reciprocating action. New MX-2 and MX-3 can filling valves are capable of filling all cans in the 200 through 205.5 diameter range.

Circle no. 160 on service card

A new foiling machine was debuted by **Jagenberg.** Features of the unit are: positive top folding of foil, mirror-smooth finish on bottle top, foil perfectly molded onto closure and mouth of bottle, bottle height tolerances no longer affect foiling quality, elimination of readjustment to accommodate different height-bottles, no bottle rotation in the discharge wheel which allows stable transfer to discharge conveyor, larger brushing-on section in the labeler due to simplified bottle rotation requrements, press-on head universally suitable for all commercial bottle sizes and low maintenance.

Circle no. 161 on service card

Japan SD industry down for fourth straight year

By Sankichi Yamasaki

TOKYO—Production of carbonated soft drinks in Japan showed a 2% decrease in 1982 over '81, according to the Japan Carbonated Drink Inspection Institute.

The figure is based on the Japan Agricultural Standard, which represented 80% of the total population in 1982.

It was the fourth consecutive failing year for the soft drink industry here, which has been blamed on a weak economy and poor weather in the high consuming summer months.

Some categories did have a good year despite the economy, though. Production of club soda, carbonated drinks with milk and fruit, increased, but the traditional flavors were down.

Cola, lemon-lime, grape, orange and apple showed substantial decreases.

There were some other success stories, however. PepsiCo's Mountain Dew was introduced in Japan in 1982 and sold 9 million cases even though it was only marketed in Tokyo, Hokkaido and Okinawa. Most point to its market introduction in 300 ml Plasti-Shield bottles as the reason for its success, attracting young consumers.

Another isolated example of success in 1982 was Coca-Cola Japan's specialty drink, Realgold, which sold 200 million 140 ml bottles after being test marketed in 1981. Specialty drinks have done well in Japan, which means that the consumer here is willing to pay more for value.

Isotonic beverages also saw a dramatic increase with sales reaching 33 billion yen, a 30% increase over 1981. Sales are expected to reach 40 billion yen this year. Otsuka's "Pokali" is first in that category occupying 60% of the market.

Considering these few success stories, it appears the soft drink marketer in Japan should pay more attention to the new product to meet the demands of the growing segment of affluent, well-educated consumers here.

Fruit juice/drink production was down 3% compared to 1981. While 100% fruit juice products and low juice content products showed increases, all others in this category were down. This is a reflection of the economy where some consumers desire a high quality product but others are forced to choose the economical one.

Consumers also showed a tendency to purchase mo paper-packed fruit juice drinks. Bottled products remained stable and canned lost substantially.

The government's reluctance to open the market to foreign fruit juice suppliers has been holding back this sector of the industry. Once the import restriction is lifted, the market is expected to grow five to 10 fold. The cost of local fruit juices is almost prohibitively high in comparison to that of other developed countries around the world.

Shipment of canned coffee was up slightly with only the top brands showing large increases and others suffering severe losses. The profit margin has been squeezed at all distribution stages because of the increasing cost of cans and it is forecasted that double digit growth will be nearly impossible this year.

Several new soft drinks have been introduced to this market. They include:

- Riviella, a whey based carbonated drink with alpine herbs that is manufactured by Kagome Co. Ltd. and sold by Riviella International of Switzerland;
- Capy White, a fermented milk drink that's non-carbonated and manufactured by Calpis Foods Co. Ltd.;
- Nisshin, a soy milk drink that's available in plain, coffee or mixed fruit flavor. It's packaged aseptically in Brik-Pak and manufactured by Nisshin Oil Co. Ltd.;
- UCC, a canned coffee drink of Cafe Aulait and Brazil Coffee that's produced by UCC Coffee Co. Ltd.

Market size of specialty drinks

Year:	Shipment Volume: kiloliter	Increase:
1978	87,800	8%
1979	115,000	31
1980	146,000	27
1981	165,000	13
1982	200,000	21

Source: Yamasaki International

Copyright: Beverage Industry, July 8, 1983

Japanese fruit juice/drink production by case sales

Category:	1981: (000)	1982: (000)	82/81:
Fruit Juice (100%)	26,082	27,235	4%
Fruit Juice Drink (50-99%)	33,442	29,692	(11)
Fruit Nectar (20-50%)	8,207	7,667	(7)
Fruit Drink (10-49%)	107,317	111,833	4
High Pulp Drink (10-100%)	36,028	28,692	(20)
Grand total	211,075	205,118	(3)

Copyright: Beverage Industry, July 8, 1983

Source: Japan Fruit Juice Association

Beverage Business Indicators

Glass Container Shipments

(thousands of gross) (not seasonally adjusted)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Bottles	25,956	22,906	(11.8)	24,041	(4.7)
Beverage:					
Refillable	337	314	(6.8)	375	(16.3)
Nonrefillable	4,551	4,169	(8.4)	4,090	2
Under 10 oz.	109	61	(44)	73	(16.4)
10.0 to 15.9 oz.	1,445	1,177	(18.5)	1,214	(3.0)
16.0 to 16.9 oz.	2,696	2,528	(6.2)	2,312	9.3
17.0 and over	301	403	33.9	491	(18)
Beer:					
Refillable	33	41	24.2	188	(78.2)
Nonrefillable	8,889	7,562	(14.9)	7,987	(5.3)
Under 11 oz.	1,459	948	(35)	1,312	(27.7)
11.0 to 15.9 oz.	5,938	6,102	2.8	6,249	(2.4)
16.0 and over	692	512	(26)	426	20.2
Liquor:	1,447	1,260	(12.9)	1,230	2.4
Under 125 ml	84	104	23.8	89	16.9
126 to 275 ml	304	265	(12.8)	284	(6.7)
276 to 500 ml	203	154	(24.1)	165	(6.6)
501 to 800 ml	374	309	(17.4)	300	3
801 to 1000 ml	289	241	(16.6)	250	(3.6)
1001 ml and over	193	187	(3.1)	142	31.7
Wine:	718	686	(4.5)	662	3.6
Under 500 ml	126	125	(.8)	100	2.5
501 to 800 ml	336	309	(8.0)	300	3.0
801 to 1000 ml	20	11	(45)	224	(25.4)
1001 to 1600 ml	139	156	12.2		
Over 1600 ml	97	85	(12.4)	38	123.7

Source: U.S. Dept. of Commerce
Bureau of the Census

Closures for Beverages

(thousands of gross)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Metal (for spirits, wines)*	57,473	53,276	(7.3)	40,875	30.3
Plastic (for spirits, wines)*	141,818	120,591	(15)	104,686	15.2
Metal Crowns (beer & soft drinks)	16,014	15,077	(5.9)	15,780	(4.5)
Soft drink (convenience types)	314	235	(25.2)	1,220	(80.7)
Soft drink (conventional types)	5,329	3,926	(26.3)	3,711	5.8
Beer (convenience types)	8,685	9,084	4.6	8,847	2.7
Beer (conventional types)	1,686	1,832	8.7	2,002	(8.5)
All metal closures other than crowns	6,039	5,591	(7.4)	4,232	32.1

*Thousand of units
Source: U.S. Dept. of Commerce
Bureau of the Census

Imported Beverages

(proof gals)

	December 1982	January 1983	% Change	January 1982	Jan. '82 vs. Jan. '83 % Change
Beer*	13,012,143	14,242,179	9.5	12,111,129	17.6
Whiskey	5,541,583	9,588,875	73	4,913,785	95.1
Brandy	564,443	633,657	12.3	461,742	37.2
Gin	482,505	356,085	(26.2)	291,493	22.2
Rum	71,254	103,626	45.4	34,654	199
Cordials & liqueurs	957,715	713,497	(25.5)	630,671	13.1
Others	655,164	974,742	48.8	678,862	43.6
TOTAL	21,284,807	28,612,661	25.0	19,122,335	39.2
Sparkling wines	1,287,984	1,011,300	(21.5)	534,751	89.1
Still wines, table	10,559,344	11,471,264	8.6	9,159,316	25.2
Still wines, fortified	323,755	236,174	(27.1)	159,281	48.3
Vermouth	255,132	291,689	14.3	215,138	35.6

*Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc.

Selected Consumer Price Index

(base: 1967 = 100)

	January 1983	February 1983	% Change	February 1982	Feb. '82 vs. Feb. '83 % Change
Cola	312.9	312.5	(.1)	304.6	2.6
Other carbonated soft drinks	145.2	147.4	1.5	143.8	2.5
Noncarbonated drinks	141.0	140.6	(.3)	138.4	1.6
Wine	235.6	234.7	(.4)	234.2	.2
Beer and Ale	213.3	217.4	1.9	207.4	4.8

Source: U.S. Dept. of Labor
Bureau of Labor Statistics

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Domestic Beer Removals

(barrels of 31 gals)

	November 1982	December 1982	% Change	December 1981	Dec. '81 vs. Dec. '82 % Change
Bottles and cans	11,397,298	10,401,058	(8.7)	11,259,178	(7.6)
Barrels and kegs	1,740,168	1,865,047	7.2	1,648,054	13.2
For export	181,843	114,330	(37.1)	199,926	(42.8)
Other	20,517	7,276	(64.5)	12,907	(43.6)
TOTAL	13,339,826	12,387,711	(7.1)	13,120,065	(5.6)

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic Wine Removals

(wine gals)

	November 1982	December 1982	% Change	December 1981	Dec. '81 vs. Dec. '82 % Change
Still wines (bulk)	171,048	217,617	27.2	158,581	37.2
Still wines (bottled)	70,886,049	29,363,086	(58.6)	30,804,093	(4.7)
Effervescent wines (bulk and bottled)	2,852,600	3,991,433	39.9	2,724,113	46.5
TOTAL	73,909,697	33,572,136	(54.6)	33,686,787	(.3)

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic Spirits Removals

(wine gals)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Whiskey	17,338,255	14,555,067	(16.1)	14,501,709	.4
Brandy	1,205,772	1,684,722	39.7	1,595,357	5.6
Rum	2,898,539	1,929,522	(33.4)	1,748,800	10.3
Gin	3,107,189	3,229,089	3.9	2,759,005	17
Vodka	8,859,929	9,364,272	5.7	8,459,470	10.7
Cordials & liqueurs	3,539,497	3,048,715	(13.9)	2,978,954	2.3
Cocktails & mixed drinks	482,221	705,482	46.3	691,601	2
TOTAL	37,431,402	34,516,869	(7.8)	32,734,896	5.4

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Blow-molded Plastic Bottle Production

(thousands of units)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Plastic bottles (blow-molded)	1,292,920	1,279,830	(1)	1,201,025	6.6
Carbonated beverages	206,330	205,048	(.6)	175,372	16.9

Source: U.S. Dept. of Commerce
Bureau of the Census

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